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# Rwanda

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## Summary and Conclusion

- Rwanda provides an example of a country that has modestly improved revenue mobilization over the course of the last decade while successfully implementing significant changes to tax laws and administrative authorities and strengthening tax administration and expanding the scope of its responsibilities.
- Over the 2001 to 2009 period, Rwanda increased tax revenue by 1.4 percent of GDP. However, total tax revenue remains low – e.g., 8-10 percentage points of GDP lower than Kenya's.
- Over the period, Rwanda's reform efforts primarily focused on improving tax legislation, administrative authorities and strengthening the administrative capabilities of the Rwanda Revenue Authority.
- Results for the 2008-09 fiscal year suggest that Rwanda's revenue effort from income taxes and VAT is about the same as or better than that of regional and income group comparator countries on average.
- Rwanda's income tax structure is similar to regional and income group comparator countries and the VAT rate is higher than these comparator group countries on average.
- Personal income tax and VAT productivity measures are broadly in line with regional and income group comparator countries while corporate income tax productivity is below these comparator countries reflecting exemptions and incentives.

## Major Developments and Features of Current Tax System

### Evolution of Revenue

Over the period 2001 to 2009, Rwanda increased Tax revenue by 1.4% of GDP with increases in income taxes and taxes on goods and services being offset by declines in taxes on international trade.

- About half of Rwanda's revenue effort comes from taxes on goods and services and has been consistently about 6% of GDP over the period.
- Declines in taxes on international trade after 2007 reflect tariff reductions in preparation for accession to the EAC customs union.
- Improvements in Taxes on Income primarily reflect stronger tax administration supported by modest expansion of the personal income tax base in 2004 and offset by a decline in the corporate income tax rate in 2005.

Rwanda: Government Budget Current Revenue  
(%GDP)

	2001	2002	2003	2004	2005	2006	2007	2008	2009
Taxes on Income	3.2%	3.7%	3.5%	3.1%	3.5%	3.8%	4.2%	3.3%	4.6%
Property Taxes	0.1%	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%
Taxes on Goods and Services	5.5%	6.0%	5.8%	5.9%	5.8%	5.6%	5.9%	4.7%	6.1%
Taxes on International Trade	1.9%	2.1%	2.2%	2.1%	2.0%	1.8%	1.5%	1.2%	1.4%
Total Tax Revenue	10.7%	11.9%	11.5%	11.2%	11.3%	11.1%	11.6%	9.2%	12.1%

Source: Rwanda MINECOFIN

## Summary of Reforms

Over the 2001 to 2010 period, Rwanda's revenue mobilization efforts primarily focused on strengthening the Rwanda Revenue Authority supported by technical Assistance from the IMF and DFID.

Significant changes in tax policy included increasing the VAT from 15 to 20 percent in 2002, increasing the income tax on professional remuneration in 2004 and reducing the corporate income tax rate to from 35 percent to 20 percent in 2005.

Efforts included creation of Large Tax Payer Unit (2004), expanded computerization (2004), improved enforcement and penalty authorities (2004), consolidation of VAT and Income Tax ID numbers (2004), improved organization along functional lines to address other taxpayers, and development of a comprehensive compliance strategy (2008). In 2009, the Rwanda Revenue Authority took over collection and audit of social security contributions.

Over the period, Rwanda undertook complementary reforms of the tax procedures law (2005), the income tax law (2005), customs law (2006) and customs administrative law (2009).

## Tax System Profile (2008-09)

The attached tables provide a high-level profile of Rwanda's tax system and compare Rwanda with Sub-Saharan Africa, other low-income countries, and the rest of the world.

### Revenue Performance

- Rwanda's revenue effort from personal and corporate income taxes is in-line with Sub-Saharan comparator countries and above that of the average of low-income economies.
- The revenue effort from VAT is above that of regional and income group averages but about 2/3 of the world average.

### Tax Structure

- Rwanda's corporate income tax rate, at 30 percent, is similar to regional and income group averages but above the world average, at 25.3 percent.
- The maximum PIT rate in Rwanda, at 30 percent, is in-line with income group and world averages but below that of the regional average, at 35.2 percent.
- The VAT rate, at 18 percent, is above regional, income group and world averages, which are in the 15 to 16 percent range.

### **Revenue Productivity**

- Corporate income tax productivity, at 0.07 percent of GDP of revenue for each percentage point of tax rate, is below regional and income group averages, at 0.10 and below that of the world average, at 0.14. Weak corporate tax productivity reflects in part exemptions and tax incentives that have narrowed the tax base.
- Personal income tax productivity is broadly in line with regional and income group averages.
- Similarly, VAT productivity is broadly in line with regional and income group averages but the VAT gross compliance ratio is about ¾ of regional and income group comparator country averages.

### **Taxpayer Burden and Corruption Evidence**

- Enterprise surveys by WB indicate that the percentage of Rwandan business taxpayers “expected to give gifts in meeting with tax officials” is 4.90 percent which is below the regional average of 18.06 percent and the world average of 16.73.
- The WB Doing Business survey estimates that the average time required for Paying Taxes by a medium-sized company in Rwanda amounted to 148 hours per year in early 2010 – significantly lower than the average of 315 hours for other Sub-Saharan Africa region countries and lower than the 168 hours per year estimated for Rwanda in 2006.

# ANNEX: Rwanda's Collecting Taxes Indicators

Company Income Tax	CITR Tax Rate	CITY Revenue as % GDP	CITPROD Revenue Productivity
Rwanda	30.00	2.30	0.07
Sub-Saharan Africa	30.27	2.65	0.10
Low Income Economies	28.20	2.12	0.10
World	25.32	3.33	0.14

Income Taxes on People	PITMINR Minimum Tax Rate	PITMINL Minimum Income Level (Multiples of GDP <sub>pc</sub> )	PITMAXR Maximum Tax Rate	PITMAXL Maximum Income Level (Multiples of GDP <sub>pc</sub> )
Rwanda	20.00	1.42	30.00	47.22
Sub-Saharan Africa	10.11	2.55	35.21	19.11
Low Income Economies	9.52	3.00	30.95	25.33
World	11.69	0.86	29.63	9.78

Income Taxes on People	PITY Revenue as % GDP	PITPROD Revenue Productivity	SSR Mandatory Combined Social Contribution Rates	WEDGE Combined Rate of Personal and Labors Taxation
Rwanda	2.60	0.09	6.00	6.00
Sub-Saharan Africa	2.60	0.08	9.97	12.20
Low Income Economies	2.02	0.07	11.80	13.98
World	3.36	0.13	16.16	20.61

Value Added Tax	VATR VAT rate	VATY Revenue as % GDP	VATGGR Gross Compliance	VATPROD Revenue Productivity	THRESHOLD Mandatory Registration/ Filing (annual Turnover in
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Ratio					USD)
Rwanda	18.00	4.80	31.40	0.27	37,000.00
Sub-Saharan Africa	15.91	4.31	41.42	0.28	54,441.74
Low Income Economies	15.12	4.51	40.02	0.29	49,103.00
World	15.77	6.33	63.11	0.41	40,552.18